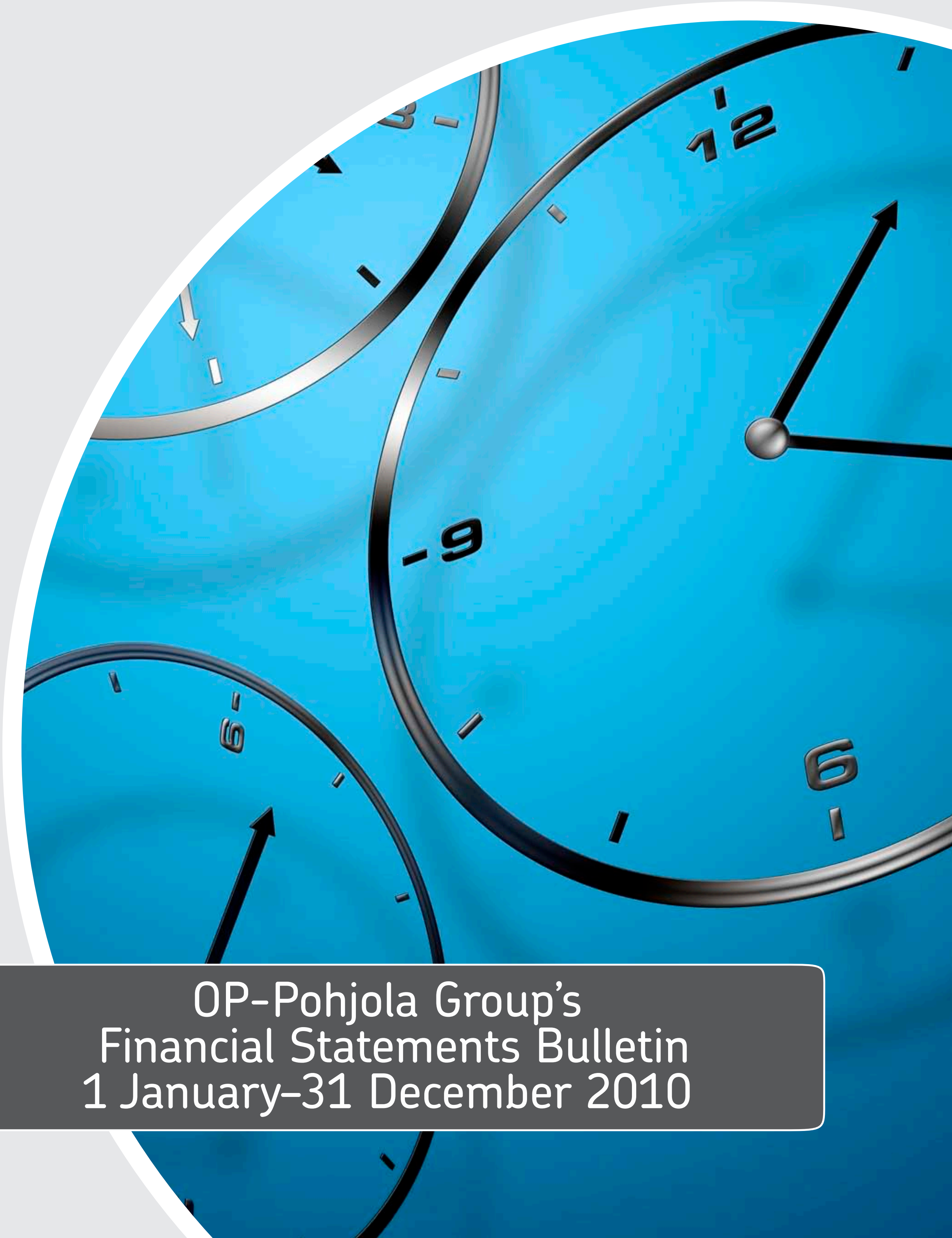
OP-Pohjola Group



OP-Pohjola Group's Financial Statements Bulletin 1 January–31 December 2010

OP-Pohjola Group Central Cooperative
Company Release 9 February 2011 at 8.00 am 1(47)
Release category: Annual financial statement

OP-Pohjola Group's January–December 2010

- The Group's performance was enjoying robust growth: Earnings before tax grew by 24% to EUR 575 million (464). Last-quarter earning doubled year on year.
- Income increased by 6%. Net interest income bottomed out and began to grow again in the fourth quarter. Growth of Other income was very strong. Expenses increased by 3%.
- Impairments of receivables contracted by 17% to EUR 149 million (179).
- OP-Pohjola Group's joint banking and insurance customers increased in 2010 by more than ever before, bringing the growth during the last five years to 65%.
- OP-Pohjola Group's market share improved considerably in life insurance, increased in credit, remained unchanged in mutual funds, and declined in deposits. Strong growth of private customers' premiums written continued in non-life insurance.
- The Group's capital adequacy improved further: Tier 1 ratio stood at 12.8% (12.6). This boosts the Group's competitive edge as the financial sector has to cope with tighter regulation.
- The economic outlook has clearly improved. The Group's full-year earnings for 2011 are expected exceed those of 2010, with the greatest uncertainty related to developments in international investment and financial markets.

Comments by Reijo Karhinen, Executive Chairman

2010 was another year when OP-Pohjola Group showed what a strong financial services group it is. The entire Group's performance improved significantly, more so than we had forecast, and this was possible because our business segments complemented each other so well. Life Insurance's investment income was particularly good. Another thing worth noting is that the fourth-quarter result almost doubled year on year.

This bodes well for 2011, too, as the net interest income that took an upward swing, the strong growth of 'Other income', the expected contraction of credit losses, and recent years' moderate expense development look set to steer us towards another set of good figures.

As a long-term and responsibility actor, we balanced in 2010 between short-term growth targets and healthy long-term growth that ensures continued profitability. I am very pleased with our achievement: profit development continued to go up and at the same time we avoided going over the top in the price competition. We maintained a steady market position. Over a century of growth has taken us to the top. Today OP-Pohjola Group is a market leader in almost all of our business areas.

I am particularly delighted in how our strategic projects have proceeded. The annual growth of customers using both banking and insurance services provided by our Group reached record figures, and the bonuses we pay out reached the EUR 150 million mark for the first time. Finnish ownership, the country's most extensive service network and the genuine, customer-comes-first approach that stems from our corporate structure make us a unique financial services group.

We also took big strides in reorganising the Group's structure. We created a number of stronger member banks capable of providing better services, and also made changes in how the central institution is organised. 2010 will be remembered as a major turning point in terms of structural change.

The early months of 2011 have shown signs of being brighter than 2010: forecasts predict good economic both globally and in Finland. However, we must be prepared for surprises. Challenges in the euro area and in Finland must be taken seriously.

OP-Pohjola Group's Financial Statements Bulletin 1 January–31 December 2010

OP-Pohjola Group's key indicators

	2010	*2009*	*Change**
Earnings before tax, € million	575	464	24.0
Banking and Investment Services	367	471	-22.0
Non-life Insurance	83	102	-19.4
Life insurance	43	-159	
Bonuses paid to customers, € million	151	142	6.3
Return on equity (ROE), %	6.8	5.9	0.9
Return on equity at fair value, %	9.4	14.7	-5.3
Cost/income, % (Banking and Investment Services)	57	53	4.4
Average personnel	12,468	12,632	-1.3
	31 Dec 2010	*31 Dec 2009*	*Change**
Total assets, € billion	84.0	80.4	4.4
Capital adequacy, %**	12.8	12.6	0.2
Tier 1 ratio, %**	12.8	12.6	0.2
Ratio of capital base to minimum amount of capital base***	1.70	1.58	0.12
Non-performing loan losses within loan and guarantee portfolio, %	0.3	0.4	-0.1
Market share, %			
Total loans	33.0	32.7	0.3
Total deposits	32.5	33.2	-0.7
Capital invested in mutual funds	23.4	23.4	0.0
Of insurance savings through life and pension insurance	21.3	20.0	1.3
	2010	*2009*	*Change**
Of premiums written in life and pension insurance, %	38.6	25.2	13.4

* The change is presented as a percentage point, except for earnings before tax, customer bonuses, total assets and average number of personnel, for which the change is stated in percentages, as well as the ratio of capital resources to the minimum amount of capital resources, for which the change is stated as a change in the ratio.
** Pursuant to the Act on Credit Institutions.
*** Pursuant to the Act on the Supervision of Financial and Insurance Conglomerates.

Operating environment

World economic growth in 2010 was almost as brisk as during the best years of the last few decades. However, it started from the recession and the recovery was exceptionally uneven between countries. The recovery of economies continued to involve uncertainty, and confidence indicators varied a lot throughout the year.

In 2011, the world economy is expected to grow at a rate above the long-term average. US economic growth will be supported by stronger consumer spending, buttressed by improved employment. Monetary stimulation will also contribute to economic growth. Economic outlook in the euro area is relatively favourable despite the debt crisis in some EU member countries. Growth in emerging economies is expected to remain brisk, with some economies aiming to avoid overheating by tightening their economic policy.

The Finnish economy recovered swiftly in 2010, supported not only by livelier exports but also higher consumer spending and housing investment. The unemployment rate began its decrease in the first half of 2010. The number of bankruptcies decreased notably after a short increase. Public deficit also turned out to be a positive surprise. The Finnish economy is expected to continue its recovery at a brisk pace in 2011. Economic growth will be more broad-based than last year because of stronger capital spending. Unemployment is expected to continue decreasing and the public deficit to remain small.

The Euribor rates began to edge up during 2010 when liquidity in the market gradually started to normalise. The European Central Bank (ECB) kept the main refinancing rate unchanged. In order to ensure the performance of government bond markets, the ECB launched its government bond purchase programme. The inflation outlook remains moderate but energy and food price increases may keep the inflation rate above the ECB's target. The Euribor rates will probably rise somewhat during 2011.

The economic recovery gave an impetus to growth in the Finnish financial market in 2010. Developments in capital markets were characterised by unevenness and greater uncertainty. The Finnish stock market made strong relatively good progress as evidenced by the 22% rise in the weight capped OMX Helsinki Cap Index from its year-start level. However, the recovery in the global stock market faltered over the previous year. The debt crisis hit by some euro-zone peripheral economies added to debt market uncertainty considerably while hampering wholesale funding among banks and investment among insurers.

In 2010, the total loan portfolio in the Finnish banking sector rebounded, with the corporate loan portfolio recovering from the year start as a result of companies' greater needs for working capital, buttressed by the economic recovery. A gradual recovery in corporate investments is expected to boost growth in the corporate loan portfolio in 2011. Growth in personal loans also intensified slightly during 2010 and this upward trend is expected to continue steadily in 2011 supported by low interest rates, improved employment and buoyant home sales.

Growth in deposits picked up slightly in 2010. Strong growth in payment transfer accounts slowed down whereas the marked decline in the number of fixed-term accounts bottomed out in early autumn. Total deposits are expected to increase steadily in 2011.

Capital invested in mutual funds registered in Finland continued to grow strongly in 2010 although the growth rate levelled off slightly year on year. Net asset inflows remained positive but fell considerably from their previous year's level in the wake of the European sovereign debt crisis. Mutual funds investing in emerging equity markets and international long-term fixed-income securities showed the strongest growth.

The recovery of the financial markets boosted insurance savings, as was the case in the year before. The premiums written of life insurance companies increased significantly in 2010, especially thanks to capital redemption contracts and pension liability transfers. The sale of personal pension insurance policies was low despite the change in the legislation concerning bound long-term savings. The percentage of unit-linked policies of premiums written increased in 2010 and is forecast to do so in 2011, too.

Non-life insurance's good profitability fell in 2010 owing to exceptional weather conditions. An increase in premiums written remained low as in the previous year, due to the declining premiums paid by the corporate sector. Greater economic activity is expected to increase claims incurred more than premiums written during 2011.

OP-Pohjola Group's earnings and total assets

January–December

Earnings before tax increased by 24% and came to EUR 575 million (464).* The Group's income increased by 6% despite a 14% contraction of net interest income. The fall in net interest income bottomed out late in 2010 and began growing at a slow rate. Earnings before tax at fair value contracted to EUR 800 million (1,140), but it was still the Group's second-highest figure of all times.

The Banking pre-tax earnings contracted year on year by 22% mainly as a result of lower net interest income. Impairments of receivables fell by 17% on the report period and came to EUR 149 million (179). OP-Pohjola Group's non-life insurance pre-tax earnings contracted to EUR 83 million (102) as a result of a technical provision made because of higher life expectancy. The operating combined ratio** was 89.7%, which is still good, although not as good as in the comparison period (87.7%). Life Insurance earnings increased, even after higher future supplementary benefits, by over EUR 200 million to EUR 43 million (loss of EUR 159 million), thanks to a good return of investments. Net investment income by Life Insurance stood at 9.5% (8.8).

The Group's net interest income declined by 14% to EUR 917 million (1,070). Other income continued to increase substantially, reaching EUR 1,256 million (981), up by 28% year on year. Banking investment and net trading income remained on the whole almost unchanged. Net commissions and fees, totalling EUR 563 million (496), were 14% higher than last year owing mainly to higher asset management and payment transfer fees.

* Comparatives for 2009 are given in brackets. For income-statement and other aggregated figures, January–December 2009 figures serve as comparatives. For balance-sheet and other cross-sectional figures, figures at the end of the previous reporting period (31 December 2009) serve as comparatives.
**The combined cost ratio excluding amortisation on intangible assets arising from the Pohjola acquisition and allocated to the business segment without the effect of changes in calculation bases.

Expenses totalled EUR 1,286 million (1,248). Total personnel costs increased by 3.3% mainly because pension costs went up by EUR 18 million. Other expenses increased by 2.8% mainly due to immediate write-offs concerning information systems and other information system expenses.

Bonuses paid to owner-members and OP bonus customers rose by 6.3% and totalled EUR 151 million (142).

Impairments and fair value changes reducing the earnings were recognised in 2010 to an amount of EUR 298 million (467). EUR 40 million of these were recorded under Non-life Insurance net income, EUR 89 million under Life Insurance net income, EUR 149 under impairments of receivables, and EUR 20 million under other income. Impairment losses on loans and receivables turned downward, coming to 0.25% of the loan and guarantee portfolio (0.32%). The final credit losses were recognised to an amount of EUR 89 million EUR (52) and impairment losses to EUR 148 million (183). The majority of credit losses derived from corporate exposure.

Earnings analysis

€ million	*2010*	*2009*	*Change, € mill*	*Change, %*
Earnings before tax	**575**	**464**	**111**	**24.0**
Gross change in fair value reserve	225	677	-451	-66.7
Earnings/loss before tax at fair value	**800**	**1,140**	**-340**	**-29.8**
Return on equity (ROE), %	**6.8**	**5.9**		**0.9***
Return on equity at fair value, %	**9.4**	**14.7**		**-5.3***
Income				
Net interest income	917	1,070	-154	-14.4
Net income from Non-life Insurance	382	396	-14	-3.5
Net income from Life Insurance	100	-120	220	,
Net commissions and fees	563	496	67	13.6
Net trading and investment income	109	103	5	5.3
Other operating income	99	104	-5	-4.5
Share of associates' profits/losses	2	1	1	45.2
Other income, total	1,256	981	275	28.1
Total income	**2,172**	**2,051**	**122**	**5.9**
Expenses				
Personnel costs	643	622	21	3.3
Other administrative expenses	319	310	9	3.0
Other operating expenses	324	316	8	2.5
Total expenses	**1,286**	**1,248**	**38**	**3.0**
Impairment losses on receivables	**149**	**179**	**-31**	**-17.2**
Returns to owner-members and OP bonus customers				
Bonuses	151	142	9	6.3
Interest on ordinary and supplementary coop-erative capital	12	18	-6	-32.7
Total returns	**163**	**160**	**3**	**1.9**

* Percentage points

OP-Pohjola Group's total assets amounted to EUR 84 billion (80.4) on 31 December 2010. Receivables from customers stood at EUR 56.8 billion (53) and deposits at EUR 36.4 billion (34.6). Debt securities issued to the public fell by 1.8% to EUR 19.6 billion (19.9). In addition to a five-year mortgage-backed covered bond worth EUR 1 billion issued by OP Mortgage Bank, Pohjola Bank plc issued three senior bonds during the report period, with maturities of three, five and seven years, worth a total of EUR 2,250 million.

The Group's capital base increased by 8.7% to EUR 6.7 billion (6.2) mainly owing to the report period's performance and an increase in the value of various assets. The fair value reserve, adjusted for deferred tax, increased to EUR 112 million (-54) owing to changes in market prices. The size of the reserve was also affected by impairments recognised in the profit and loss, and by realisation of assets. Only the fair value changes in the fair value reserve have been recognised which the management have deemed to fulfil the relevant requirements. Impairments of EUR 142 million (276) were recognised in the accounting period.

On 31 December, the cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 778 million (750).

The Board of Directors of Pohjola Bank plc proposes that a per-share dividend of EUR 0.40 (0.34) be paid on Series A shares and EUR 0.37 (0.31) on Series K shares, which would total EUR 126 million (107).

October–December

Pre-tax earnings in the fourth quarter almost doubled year on year, amounting to EUR 137 million (70). Income increased by 15% mainly thanks to higher Life Insurance net income. Non-life Insurance's net income was reduced by one-off net expenses of EUR 20 million. Life Insurance net income came to EUR 39 million (-31) even following a net increase of EUR 28 million of future supplementary benefits. Reported expenses grew by EUR 17 million. Personnel costs rose by 7.9% on the comparison period. Impairment of receivables came to EUR 31 million, or EUR 11 million lower than a year earlier. The fair value reserve (gross) shrank during the fourth quarter by EUR 31 million mainly because the market values of fixed-income investments declined. A year ago, the fair value reserve grew by EUR 131 million. Impairments of EUR 20 million were recognised in the fourth quarter.

Net interest income for the October-to-December period was 5.3% higher than in the preceding quarter. Impairment of receivables were EUR 9.9 million higher than in July–September. Net income from Life Insurance went up from the previous quarter owing to better investment performance. Earnings before tax were EUR 35 million lower than in the preceding quarter. Pre-tax earnings at fair value were EUR 106 million as opposed to EUR 353 million in the preceding quarter.

Fourth-quarter earnings analysis

€ million	*Q4/ 2010*	*Q4/ 2009*	*Change, %*	*Q3/ 2010*	*Change, %*
Earnings before tax	**137**	**70**	**94.8**	**172**	**-20.5**
Gross change in fair value reserve	-31	131	,	181	,
Earnings/loss before tax at fair value	**106**	**201**	**-47.4**	**353**	**-70.0**
Return on equity (ROE), %	**6.9**	**3.4**	**3.6***	**7.7**	**-0.8***
Return on equity at fair value, %	**5.6**	**9.7**	**-4.1***	**15.9**	**-10.4***
Income					
Net interest income	238	245	-3.0	226	5.3
Net income from Non-life Insurance	73	94	-22.6	119	-38.6
Net income from Life Insurance	39	-31	,	15	,
Net commissions and fees	146	125	16.4	135	8.2
Net trading and investment income	37	27	35.9	26	43.3
Other operating income	31	28	11.0	19	61.5
Share of associates' profits/losses	0	0	-35.3	1	-67.3
Other income, total	326	244	33.5	315	3.4
Total income	**564**	**490**	**15.2**	**541**	**4.2**
Expenses					
Personnel costs	166	154	7.9	142	16.9
Other administrative expenses	94	87	9.0	70	34.2
Other operating expenses	85	88	-3.7	86	-1.2
Total expenses	**345**	**328**	**5.1**	**298**	**15.8**
Impairment losses on receivables	**41**	**52**	**-21.9**	**31**	**32.4**
Returns to owner-members and OP bonus customers					
Bonuses	39	36	7.1	38	2.4
Interest on ordinary and supplementary cooperative capital	3	3	-4.6	2	3.3
Total returns	**42**	**39**	**6.3**	**41**	**2.5**

* Percentage points

Capital adequacy

Two sets of capital adequacy ratios are calculated for OP-Pohjola Group. The Group's operations are based on Act no. 599/2010 on the amalgamation of deposit banks which became effective as of 1 July 2010. At the beginning of the accounting period, the Group was still operating under the principles of the Act on Cooperative Banks and other Cooperative Institutions. This law change has no significant effect on the Group's operations.

Owing to the regulations on joint responsibility and security conditions prescribed in the Act, a minimum amount of capital resources has been set for the amalgamation of the cooperative banks calculated according to the regulations for capital adequacy specified in the Act on Credit Institutions. The amalgamation of the cooperative banks comprises its central institution (OP-Pohjola Group Central Cooperative), the central institution's member credit institutions and companies belonging to their consolidation groups. Although OP-Pohjola Group's insurance companies do not belong to the amalgamation of the cooperative banks, investments made in them have a major impact on capital adequacy calculated in accordance with the capital adequacy regulations for credit institutions. This capital adequacy figure is called the amalgamation of cooperative banks' capital adequacy.

OP-Pohjola Group is also a financial and insurance conglomerate, pursuant to the Act on the Supervision of Financial and Insurance Conglomerates. The conglomerate is governed by specific provisions of the capital adequacy requirement.

In view of both capital adequacy requirements, OP-Pohjola Group's risk-bearing capacity is strong.

In its calculation of capital requirement for credit risk, OP-Pohjola Group will phase in the Internal Ratings Based Approach (IRBA). OP-Pohjola Group uses the Internal Ratings Based Approach (IRBA) in its capital adequacy measurement for Pohjola Bank plc's corporate and institutional customers' credit risks. IRBA will probably be adopted for all other liabilities in September 2011, but until then the capital requirement for credit risk such items will be calculated using the Standardised Approach. The use of internal ratings reduces the Group's capital requirement, but makes it more susceptible to market fluctuations. As to market risks, OP-Pohjola Group will continue to use the Standardised Approach, With respect to the capital adequacy requirement for operational risks, the Standardised Approach was adopted in the last quarter of 2010. This change reduced the capital requirement for operational risk by 19%, that is, about EUR 55 million compared with the capital requirement based on the Basic Indicator Approach (BIA) that was used until 30 September 2010.

As a result of the financial crisis, the regulatory framework for banks' capital requirements is becoming more rigorous in an effort to improve the quality of their capital base, to increase capital conservation buffers, to reduce the cyclic nature of capital requirements, to decrease banks' indebtedness and to set quantitative limits to liquidity risk. These changes are still under preparation, due to be effective between 2013 and 2019, and it is too early to predict precisely what their effects will be. According to OP-Pohjola Group's analysis based on the current interpretations, the Group can fulfil the capital adequacy requirements in any eventuality. From OP-Pohjola Group's viewpoint, the major changes in the new regulations are related to how insurance company investments and supplementary cooperative capital are treated in terms of capital base calculation concerning capital adequacy, to the leverage ratio and to liquidity risk requirements.

Capital adequacy of the amalgamation of cooperative banks

On 31 December, OP-Pohjola Group's capital adequacy ratio under the Credit Institutions Act and the Tier 1 ratio stood at 12.8%, that is, somewhat higher than on 31 December 2009. The statutory minimum for capital adequacy ratio is 8%, and for Tier 1 ratio 4%.

Capital structure and capital adequacy

€ million	*31 Dec 2010*	*31 Dec 2009*	*Change, € million*	*Change, %*
Capital base				
Tier 1 capital	5,454	5,227	227	4.3
Tier 2 capital	-	-		
Total capital base	**5,454**	**5,227**	**227**	**4.3**
Risk-weighted assets, total	**42,728**	**41,480**	**1,249**	**3.0**
Minimum capital requirement				
Credit and counterparty risk	3,153	3,005	148	4.9
Market risk	37	36	2	4.2
Operational risk	228	277	-49	-17.9
Total	**3,418**	**3,318**	**100**	**3.0**
Capital adequacy ratio, %	**12.8**	**12.6**		**0.2***
Tier 1 ratio, %	**12.8**	**12.6**		**0.2***

* Percentage points

December-end Tier 1 capital totalled EUR 5,454 million (5,227). Net profit for the accounting period, less estimated profit distribution, is included in Tier 1 capital. OP-Pohjola Group's Tier 1 capital increased by 4.3% during 2010. On 31 December, the ratio of hybrid capital to Tier 1 capital before adjustments was 3.1% (3.2). Tier 1 capital does not include equity capital growth resulting from the IFRS-compliant measurement of pension liabilities and the assets covering them, and from the measurement at fair value of investment property.

Tier 2 capital came to zero following deductions from the item at the end of the year. The deductions actually exceeded Tier 2 capital by EUR 135 million (251), which were deducted from Tier 1 capital. The consolidation group's fair value reserve, which is included in the capital base, was EUR -15 million (14).

Pohjola Bank plc repurchased on 18 October 2010, with permission from the Financial Supervisory Authority, a EUR 70 million lower Tier 2 capital loan. This reduced the Group's capital adequacy by 0.2 percentage points.

Insurance company investments, deducted in equal proportions from Tier 1 and 2 capital, came to EUR 2,320 million (2,341). EUR 131 million have been deducted from equity capital as a shortfall of expected losses and impairments. On the basis of the exemptions granted by the Financial Supervisory Authority, investments by OP-Pohjola Group entities in venture capital funds, managed by Vaaka Partners Ltd (former Pohjola Capital Partners Ltd), are treated in the capital adequacy calculation in the same way as investments in shares in business or industrial corporations.

The minimum capital requirement was EUR 3,418 million on 31 December (3,318), increasing by 3% during the year. The most significant factor that contributed to this growth was the higher capital requirement concerning the loan and guarantee portfolio. Adopting the standard method for operational risks reduced the increase of minimum capital requirement by 1.5 percentage points.

Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

OP-Pohjola Group's capital adequacy pursuant to the Act on the Supervision of Financial and Insurance Conglomerates is calculated using the consolidation method, whereby assets included in capital resources but not included in equity capital, under the regulations for the banking or insurance industry, are added to the equity capital in the conglomerate's balance sheet. Capital resources may not include items not available for covering the losses of other companies belonging to the conglomerate.

The financial and insurance conglomerate's minimum capital requirement consists of the credit institutions' consolidated minimum capital requirement and the insurance companies' joint minimum operating capital.

On 31 December, OP-Pohjola Group's capital resources calculated according to the Act on the Supervision of Financial and Insurance Conglomerates exceeded the minimum amount specified in the Act by EUR 2,666 million (2,121).

The insurance companies' equalisation provision is not included in the financial and insurance conglomerate's capital resources. On 31 December 2010, the combined non-life and life insurance equalisation provision less tax liabilities stood at EUR 331 million. The equalisation provision acts as a buffer for insurance companies in case of years with heavy losses and is therefore part of the financial services group's actual buffer against losses. Act no. 599/2010 on the amalgamation of deposit banks came into effect on 1 July 2010 and consequently the equalisation provision of OP-Pohjola Group Mutual Insurance Company less tax liabilities, totalling EUR 207 million, is included under the credit institution sector's Tier 2 capital.

Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates:

€ million	*31 Dec 2010*	*31 Dec 2009*	*Change, € million*	*Change, %*
OP-Pohjola Group's equity capital	6,726	6,187	539	8.7
Business-segment-specific items	1,783	1,843	-60	-3.2
Goodwill and intangible assets	-1,094	-1,084	-10	-0.9
Equalisation provision	-331	-527	197	37.3
Other items included in equity capital and business-segment-specific items, but not included in the conglomerate's capital resources	-604	-627	23	3.6
Conglomerate's capital base, total	**6,480**	**5,792**	**689**	**11.9**
Regulatory capital requirement for credit institutions	3,418	3,300	118	3.6
Regulatory capital requirement for insur-ance operations	396	371	24	6.6
Total minimum amount of conglomerate's capital base	3,814	3,671	143	3.9
Conglomerate’s capital adequacy	**2,666**	**2,121**	**546**	**25.7**
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	**1.70**	**1.58**		**0.12***

* Change in ratio

Risk exposure

OP-Pohjola Group retained its strong risk-bearing capacity, with stable risk exposure. Both impairment losses on receivables and non-performing and zero-interest receivables decreased as a result of the economic recovery. The Group's financial position and liquidity remained strong.

On 31 December, OP-Pohjola Group's loan and guarantee portfolio stood at EUR 59.4 billion (55.6), or 7% higher year on year. Households accounted for 64% (64) and companies and housing associations 34% (34) of the entire loan and guarantee portfolio. OP-Pohjola Group's industry and customer risks are diversified.

OP-Pohjola Group's customers are given a credit rating on the basis of their risk exposure. At the end of 97% of corporate exposures (97) were rated. 50% (49) of the exposures fell into the top five corporate loan portfolios, also known as investment grade. 5% (6) of the customers were rated under the four poorest credit ratings. By the end of 2010, 96% (92) of the liabilities of private customers had been rated. Of the six main categories, 75% (71) of the exposures belonged to the top two categories, and 4% (4) in the two poorest.

On 31 December 2010, OP-Pohjola Group's non-performing and zero-interest receivables came to EUR 204 million, up by 9% on the previous year. The ratio of non-performing and zero-interest loans to the loan and guarantee portfolio was 0.3% at the end of the reporting period (0.4). Net impairments of receivables in 2010 came to EUR 149 million (179), which was 0.25% (0.32) of the loan and guarantee portfolio.

Demand for long-term bonds varied considerably in 2010, but OP-Pohjola Group's funding operations performed well.

Deposits accounts for about two-thirds of funding, this proportion being almost the same throughout the year, although deposit accounts have become less lucrative as the interest rates fell and the investment markets picked up. Pohjola Bank plc and OP Mortgage Bank issued four bonds worth a total of EUR 3.25 billion. Pohjola's short-term funding has been excellent.

OP-Pohjola Group ensures its liquidity with a liquidity reserve and other sources of finance referred to in the contingency plan. OP-Pohjola Group's liquidity reserve was EUR 12.2 billion with a collateral value of EUR 11.3 billion.
The key part of the Group's liquidity buffer is made up of Pohjola Bank plc's liquidity reserve portfolio, which totalled EUR 9.5 billion (11.7) at the end of the year. In addition to the above, the contingency plan includes other sources of finance for the securitisation of credit portfolios. The liquidity reserve and sources of finance included in OP-Pohjola Group's liquidity management strategy ensure the Group's liquidity for at least 24 months if wholesale funding became unavailable and deposits fell moderately.

OP-Pohjola Group's market risk exposure was strong. Low interest rates and higher funding costs eroded net interest income.

OP-Pohjola Group's investment assets totalled EUR 19.2 billion on 31 December 2010, with Pohjola Bank plc accounting for EUR 9.5 billion, making up most of the Group's liquidity buffer. Non-life Insurance's investment assets came to EUR 2.9 billion and those of Life Insurance to EUR 4.7 billion on 31 December 2010. Group member banks' investment assets totalled EUR 1.7 billion and those of OP-Pohjola Group Mutual Insurance Company EUR 0.4 billion. The investment assets of OP Bank Group Pension Fund and OP Bank Group Pension Foundation totalled EUR 1.6 billion. The pension entities are not consolidated into OP-Pohjola Group's financial statements.

OP-Pohjola Group's exposure to foreign public corporation bonds is relatively low, with Banking's exposure to government bonds amounting to EUR 563 million on 31 December, of which the French and German governments accounted for EUR 368 million. Investments by Insurance operations in government bonds totalled EUR 687 million. The biggest foreign investments were in bonds issued by Germany and France, totalling EUR 360 million.

Financial losses caused by operational risks were small.

The Insurance solvency capital was EUR 832 million (827) and the solvency ratio 86 per cent (88). The equalisation provision rose to EUR 424 million (417).

On 31 December, Life Insurance's solvency margin was EUR 737 million (551), which was 3.4-fold the required minimum. The higher capital adequacy has been achieved through good return of investments.

The credit ratings are as follows:

Rating agency	*Short-term debt*	*Long-term debt*
Fitch Ratings (OP-Pohjola Group and Pohjola Bank plc)	F1+	AA-
Standard & Poor's (Pohjola Bank plc)	A-1+	AA-
Moody's (Pohjola Bank plc)	P-1	Aa2

Fitch Ratings issues a rating for both OP-Pohjola Group and Pohjola Bank plc. OP-Pohjola Group's financial position also has a considerable impact on credit ratings issued for Pohjola Bank plc alone.

Pohjola's credit rating outlook issued by Standard & Poor's is stable. Fitch Rating has issued a negative outlook for the long-term debt ratings of Pohjola and Moody's Investor Service has affirmed negative outlook on Pohjola's credit rating.

The main reason for the negative outlook was the rapid deterioration of the Finnish economy in 2009 and its potential effects on Pohjola and OP-Pohjola Group that mainly operate in Finland.

OP-Pohjola Group's long-term financial targets

At Group level, targets have been set for long-term risk-bearing capacity, profitability and efficiency. OP-Pohjola Group's long-term financial targets have been defined so as to ensure the Group's operational capacity.

The targets for capital adequacy and operational efficiency were achieved in the accounting period. The Group's profitability is below the long-term target.

OP-Pohjola Group's success indicators:

	Dec 2010	*Dec 2009*	*Target*
Capital adequacy ratio (under the Act on the Supervision of Financial and Insurance Conglomerates)	1.70	1.58	1.5
Return on economic capital, % (12-month rolling)	14.4	12.7	17
Growth differential between income and expenses, percentage points (12-month rolling)	2.9	11.7	>,0

Changes in OP-Pohjola Group's structure

OP-Pohjola Group's consolidated financial statements include the accounts of 213 member cooperative banks (220), OP-Pohjola Group Central Cooperative Consolidated and OP Bank Group Mutual Insurance Company.

Kiukaisten Osuuspankki and Hinnerjoen Osuuspankki merged with Euran Osuuspankki on 31 May 2010. In another combination merger, Nilsiän Osuuspankki and Koillis-Savon Osuuspankki became Koillis-Savon Osuuspankki on 31 October 2010.Kuopion Osuuspankki, Iisalmen Osuuspankki and Varkauden Osuuspankki merged on 31 December 2010 to create Pohjois-Savon Osuuspankki and Pälkäneen Osuuspankki and Kuhmalahden Osuuspankki merged with Kangasalan Osuuspankki on 31 December 2010.

Kestilän Osuuspankki and Rantsilan Osuuspankki will merge on 31 March 2011 to create Siikalatvan Osuuspankki. Pieksämäen Osuuspankki, Etelä-Savon Osuuspankki, Juvan Osuuspankki and Savonlinnan Osuuspankki will merge to become Suur-Savon Osuuspankki on 31 May 2011.

On 14 June 2010, the Supervisory Board of OP-Pohjola Group Central Cooperative took a decision in principle on the structural reorganisation the Central Cooperative acting as the Group's central institution. This reorganisation involved the establishment of a new service company (OP-Services Ltd) separate from the central institution, which has been responsible for the development and provision of centralised services for OP-Pohjola Group and its member cooperative banks since 1 January 2011. This change simplified the central organisation's former role on the one hand as an organisation in charge of Group control and supervision and on the other hand as a provider of centralised services.

The merger of Pohjola Insurance Ltd and Pohjantähti Mutual Insurance Company was cancelled when Pohjantähti's Extraordinary General Meeting rejected the merger plan on 8 December 2010.

The entire share capital of private equity firm Pohjola Capital Partners Ltd was sold to its executive management in December 2010. Pohjola Capital Partners Ltd was renamed as Vaaka Partners after the transaction. After the management buyout, the company's investment operations and the management of its existing private equity funds remain unchanged. The sale has no significant effect on the Group's financial statements.

In December, Pohjola Bank plc bought a 40% shareholding in Access Capital Partners Group SA, a manager and advisor of private equity funds of funds, for EUR 28 million. At the same time, Pohjola sold Pohjola Private Equity Funds Ltd to Access Capital for EUR 16 million.

Owner-members and customers

The cooperative member banks had 1.3 million owner-members on 31 December, or 34,000 more than a year earlier. Group member banks and Helsinki OP Bank plc, which operates in the Greater Helsinki area, had a total of 1,139,000 OP bonus customers at the end of December.

Loyal customer bonuses earned by OP bonus customers totalled EUR 151 million, up by 6.3% on the previous year. Bonuses earned by owner-members are stated in OP-Pohjola Group's income statement under 'Returns to owner-members'. In January–December, OP bonus customers used a total of EUR 74 million (51) of bonuses on banking services and EUR 56 million (44) on Pohjola non-life insurance premiums. Bonuses were used for the payment of 1,088,800 insurance premium bills, with almost 18% of these were paid using solely OP bonuses.

OP-Pohjola Group had 4,133,000 customers in Finland at the end of December. The number of private customers totalled 3,713,000 and that of corporate customers 420,000. In the year to December, the number of joint banking and non-life insurance customers in Finland increased by 99,000 to 1,166,000 as a result of cross-selling.

The strategic target for the number of Pohjola's loyal insurance customers was reached, the number of loyal customer households increasing by 46,600 to 471,000 by 31 December. Up to 60% of these loyal customer households also use OP-Pohjola Group member cooperative banks as their main bank.

Personnel and incentive system

At the end of December, the Group had 12,504 employees (12,504). In 2010, there were 335 people (259) who retired from OP-Pohjola Group, at an average age of 61.3 years (60.4).

About 94% of the Group's personnel are members of the Group's Personnel Fund. A long-term management incentive scheme is also in place within the Group. A total of EUR 9.6 million was used in 2010 for long-term incentive systems, and EUR 35 million for short-term.

Central Cooperative's corporate governance

As proposed by Central Cooperative's Executive Board, the Meeting decided on 20 October 2010 to change the Finnish corporate name to OP-Pohjola osk, while the English name remains as OP-Pohjola Group Central Cooperative. The Meeting also decided to increase the number of Board members, and made a few changes of technical nature. These changes are related to the central institution's structural reform and they came into effect on 31 December 2010.

OP-Pohjola Group Central Cooperative is the central institution of the amalgamation of the cooperative banks, the parent company of OP-Pohjola Group Central Cooperative Consolidated and the company heading the financial and insurance conglomerate formed by OP-Pohjola Group. The Central Cooperative acts as the entire OP-Pohjola Group's strategic owner institution and as a central institution in charge of Group control and supervision.

The Annual Cooperative Meeting was held of 26 March 2010.It re-elected the following Supervisory Board members who were due to resign, for the term ending in 2013: Pekka Ahvenjärvi, Attorney; Ola Eklund, Product Director; Paavo Haapakoski, liikuntaneuvos (Finnish honorary title); and Bo Storsjö, farmer. The new members elected to the Supervisory Board were as follows: Hannu Simi, planner; and Mervi Väisänen, Senior Lecturer. In addition, the Meeting elected Matti Pulkkinen, Director of the Northern Savo Hospital District, for the term ending in 2012. Managing Director Olli Lehtilä resigned from the Board in June having been appointed as Managing Director of Helsinki OP Bank Plc, a subsidiary of OP-Pohjola Group Central Cooperative. The Supervisory Board comprises 32 members.

At is first meeting after the Annual Cooperative Meeting, the Supervisory Board re-elected Paavo Haapakoski Chairman. Professor Jaakko Pehkonen and President Jukka Hulkkonen were elected Vice Chairmen.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, a firm of authorised public accountants, the auditor of OP-Pohjola Group Central Cooperative and OP-Pohjola Group for the financial year 2010.

On 14 June 2010, the Central Cooperative's Supervisory Board made changes in the Executive Board, with Chief Communications Officer Carina Geber-Teir, Chief Strategy Officer Tom Dahlström and Chief Risk Officer Erik Palmén as new members, the last two acting as vice Board members until 31 December 2010. Harri Nummela became full-time CEO of the new service on company 1 January 2011 and gave up his Board membership on the same date.

Capital expenditure and service development

The Central Cooperative and its subsidiaries are responsible for developing OP-Pohjola Group's services. ICT investments and related specifications make up a significant portion of costs of developing these services. EUR 39 million (46) of these expenses consisted of ICT procurement capitalised in the balance sheet in the accounting period. Of these investments, EUR 28 million (31) was allocated to banking and investment operations, EUR 8 million (9) to non-life insurance operations and EUR 3 million (6) to life insurance operations.

Joint responsibility and joint security

Under the Act on Cooperative Banks and Other Cooperative Credit Institutions, the amalgamation of the cooperative banks comprises the organisation’s central institution (OP-Pohjola Group Central Cooperative), the Central Cooperative’s member credit institutions and the companies belonging to their consolidation groups. This amalgamation is supervised on a consolidated basis. The central institution and its member banks are ultimately responsible for each other's liabilities and commitments. The central institution's members at the end of the year comprised OP-Pohjola Group's 213 member banks as well as Pohjola Bank plc, Helsinki OP Bank Plc, OP Mortgage Bank and OP-Kotipankki Oyj. OP-Pohjola Group's insurance companies do not fall within the scope of joint responsibility.

Deposit banks belonging to OP-Pohjola Group, i.e. its member cooperative banks, Pohjola Bank plc, Helsinki OP Bank Plc and OP-Kotipankki Oyj, are regarded as a single bank with respect to deposit protection. Under legislation governing the Investors' Compensation Fund, OP-Pohjola Group is also considered a single entity for purposes of compensation protection.

Outlook for 2011

World economic growth is forecast to slow down but nevertheless remain strong, and the Finnish economy is expected to develop favourably, too. In the wake of economic recovery, short-term market rates are set to rise somewhat to their current level until the end of the year. The greatest risks that may overshadow the economic outlook are caused by public finance crises in certain euro countries and the consequent financial market jitters.

Financial sector performance will be boosted in 2011 by what is likely to be a moderate increase in interest rates from an already low level, and a probable contraction of credit losses. OP-Pohjola Group's 2011 earnings before taxes are expected to be better than in 2010. The greatest uncertainty is related to developments in international investment and financial markets.

All forward-looking statements in this Financial Statements Bulletin expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of the future financial performance of OP-Pohjola Group and its various functions, and actual results may differ materially from those expressed in the forward-looking statements.

Operations and earnings by business segment

OP-Pohjola Group's business segments are Banking and Investment Services, Non-life Insurance and Life Insurance. Non-segment operations are presented under 'Other Operations'. OP-Pohjola Group's segment reporting is based on accounting policies applied in its financial statements.

Companies within the Banking and Investment Services segment are the member banks, Helsinki OP Bank Plc, OP-Kotipankki Oyj, OP Mortgage Bank and OP Fund Management Company Ltd and certain smaller companies supporting banking and investment services in their entirety. Pohjola Group's Banking and Asset Management segments are also included in the Banking and Investment Services segment as are the operations of OP-Pohjola Group Mutual Insurance Company, because most of the company's business consists of credit insurance granted to the Group's retail banks.

The Non-life Insurance segment encompasses the operations of OP-Pohjola Group's non-life insurance companies, i.e. Pohjola Insurance Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, the Seesam companies operating in the Baltic countries, as well as the operations of service companies supporting non-life insurance.

The Life Insurance segment comprises OP Life Assurance Company Ltd engaged in the Group's life and pension insurance business.

Other Operations includes operations that support all business segments, particularly the operations of OP-Pohjola Group Central Cooperative and Pohjola's Group management. Costs of the services for the business segments are allocated to the segments in the form of internal service charges. The allocation of equity capital to the business segments is carried out through an internal bank under Other Operations, which means that any positive results in excess of the target level will be shown under Other Operations.

Summary of performance by business segment

€ million	*Income*	*Expenses*	*Other items*	*Earnings/loss before tax 2010*	*Earnings/loss before tax 2009*
Banking and Investment Services	1,597	918	-312	367	471
Non-life Insurance	399	316	0	83	102
Life Insurance	125	81	0	43	-159
Other Operations	434	349	1	86	51
Eliminations	-383	-378	0	-4	-1
Total	**2,172**	**1,286**	**-312**	**575**	**464**

Banking and Investment Services

- Earnings before tax narrowed from EUR 471 million to EUR 367 million as a result of lower net interest income.
- Net interest income began to grow during the accounting period, although year on year it fell by 13%. Net commissions and fees increased by 11%.
- Credit losses were reduced, being EUR 18 million lower than the year before. Credit losses reached their highest point in the second half of 2009.
- The Group's market share remained unchanged in mutual funds and credit, and declined in deposits.

The general improvement in the financial situation had a beneficial effect on banking and investment operations. Impairment losses on credit reduced even more. Credit losses following the financial crisis seemed to have peaked in the latter half of 2009 when impairments of receivables were recorded to an amount that was EUR 28 million higher than during the latter half of 2010.

The growth of credit and deposits intensified during the accounting period but remained relatively low. The low interest rates throughout the year sent net interest income on a steep downward trend compared with 2009. As the year went on, the net interest income seemed to increase by every quarter. Confidence in the economy continued to increase, and the equity market continued on a path of recovery despite debt crises in euro-zone's peripheral economies. This increased investment volumes and demand for asset management services.

The Group's market share increased in credit, remained unchanged in mutual funds, and declined in deposits.

On 31 December, the Group’s loan portfolio stood at EUR 56.5 billion (52.6) and the guarantee portfolio at EUR 2.8 billion (3). The loan portfolio grew by 7.4% (3.2) year on year. The market share of the loan portfolio increased to 33.0% (32.7).

The portfolio of home mortgages on 31 December amounted to EUR 26.9 billion (25.7). In the year to December, home mortgages increased by 6.4% (6.4). OP-Pohjola Group held 35.8% of the home mortgage portfolio on 31 December, or almost the same as in 2009.

The housing market improved clearly year on year. Housing brokered by OP-Kiinteistökeskus was up by 11 per cent on the comparison period, and the volume of new home mortgages was 16% higher that a year ago.

The margin for new home mortgages decreased a fraction more. The average margin on new home mortgages taken out in 2010 was 0.1 percentage points lower than a year ago.

On 31 December, the consumer credit portfolio amounted to EUR 4.0 billion (3.7), showing an increase of 8.0% in the year to December (2.3).

On 31 December, the Group’s corporate loan portfolio stood at EUR 14 billion (13.4), and the guarantee portfolio at EUR 2.6 billion (2.7). The corporate loan portfolio increased by 4.3% (decrease of 5.0) in 2010. The market share of corporate loans on 31 December was 29.2%, or 0.5 percentage points higher year on year. The average margin on new corporate loans during the accounting period was somewhat lower than at the end of 2009.

On 31 December, deposits totalled EUR 36.4 billion (34.6), or 5.3% higher than the previous year. Competition on customer deposits was tight, but in the second half of 2010 there were signs that deposit pricing was back to healthier figures. Deposit growth was impeded because of low interest rates and the fact that assets were being channelled to recovering investment markets. Investment deposits turned upward, increasing in 2010 by 3.1% (-12.2).-Current accounts increased by 7.3% (15.5). The Group held a 32.5% market share of deposits on 31 December, down by 0.7 percentage points year on year.

Capital invested in OP-Pohjola Group's mutual funds stood at EUR 14.4 billion (12.7). The amount of capital increased along with the market trends by 13% in 2010. On 31 December, OP-Pohjola Group held a 23.4% market share of the capital of mutual funds registered in Finland, which was at the same level as a year earlier. Net subscriptions to OP-Pohjola Group's mutual funds totalled EUR 496.5 million (1,618).

On 31 December, assets managed by Pohjola Bank plc's Asset Management were worth EUR 35 billion (33.1), of which EUR 12 billion (11.4) was invested in OP-Pohjola Group's mutual funds. OP-Pohjola Group companies accounted for EUR 8.7 billion of assets managed by Pohjola.

Assets managed in accordance with the OP-Private operating model totalled EUR 4.7 billion (3.6). Stockbroking for households totalled 1.1 million trades during the report period, or 16.6% more than a year earlier. The number of customers increased by 31%.

Assets managed in accordance with the OP-Private operating model totalled EUR 4.7 billion (3.6), and the number of customers increased by 28%. Stockbroking for households totalled 1.1 million trades during the report period, or 16.6% more than a year earlier.

Earnings and risk exposure

Banking and Investment Services reported pre-tax earnings of EUR 367 million (471) for January–December. Customer bonuses recognised in the income statement during the accounting period rose by 6.3% to EUR 151 million (142).

Net interest income decreased by 13% to EUR 852 million (981). Net commissions and fees increased by 11% to EUR 595 million (538) especially owing to higher asset management fees. The fall in net interest income was caused by exceptionally low interest rates. Net trading and investment income totalled EUR 82 million (116). Net trading income decreased because exceptionally high trading income that realised a year ago had normalised. Investment income at fair values totalled EUR 30 million (EUR 5 million). Personnel costs increased by 2.3% and other expenses by 1.1%. The cost/income ratio stood at 57.4% (53.1).

Impairments on receivables came to EUR 149 million (167), decreasing from the comparison period by EUR 18 million, or 11%. The amount of impairment losses was low considering the business volume and the current economic cycle.

The Group's non-performing and zero-interest receivables shrank but remained low, totalling EUR 204 million on 31 December, down by 8.7% year on year. Non-performing and zero-interest loans are stated net of impairments of specific receivables and groups of receivables, which amounted to EUR 134 million (131). The ratio of non-performing and zero-interest receivables to the loan and guarantee portfolio was lower than a year ago, at 0.3% (0.4).

Banking and Investment Services, key figures

€ million	*2010*	*2009*	*Change, %*
Net interest income	852	981	-13.1
Impairment losses on receivables	149	167	-11.0
Other income	745	720	3.4
Personnel costs	405	396	2.3
Other expenses	513	507	1.1
Returns to owner-members and OP bonus customers	163	160	1.9
Earnings before tax	**367**	**471**	**-22.0**
€ million	*2010*	*2009*	*Change, %*
Home mortgages drawn down	6,651	5,723	16.2
Corporate loans drawn down	6,554	6,325	3.6
Net subscriptions to mutual funds	497	1,618	-69.3
No. of brokered property transactions	17,009	15,303	11.1
€ billion	*31 Dec 2010*	*31 Dec 2009*	*Change, %*
Loan portfolio			
Home loans	27	26	6.4
Other loans to households	10	10	3.9
Corporate loans	14	13	4.3
Other loans	5	4	36.7
Total	**57**	**53**	**7.4**
Guarantee portfolio	3	3	-3.2
Deposits			
Total current and payment transfer			
Households	12	12	6.1
Companies	4	4	6.9
Others	3	2	14.7
Total current and payment transfer	19	18	7.3
Investment deposits	17	17	3.1
Total deposits	**36**	**35**	**5.3**
Mutual funds			
Equity and hedge funds	4.9	3.9	25.6
Balanced funds	1.5	1.5	0.8
Long-term bond funds	5.9	5.0	17.8
Money market funds	2.1	2.3	-8.9
Total value of mutual funds	**14.4**	**12.7**	**13.4**
Market share, %	*31 Dec 2010*	*31 Dec 2009*	*Change,* percentage points
Total loans	33.0	32.7	0.3
Home mortgages	35.8	35.9	-0.1
Corporate loans	29.2	28.7	0.5
Total deposits	32.5	33.2	-0.7
Capital invested in mutual funds	23.4	23.4	0.0
€ million			Change, %
Non-performing and zero-interest receivables			
Households	164	175	-6.0
Companies and housing associations	86	92	-6.4
Others	3	3	-3.9
Collectively assessed impairments	-50	-47	5.7
Total non-performing and zero-interest receivables	**204**	**223**	**-8.7**
Non-performing and zero-interest receivables within loan and guarantee portfolio, %	0.3	0.4	-0.1*

* Percentage points

Non-life Insurance

- Growth in insurance premium revenue intensified, increasing by 2% in January–September and by 4% in October–December.
- Customers used OP bonuses to pay over one million insurance premiums.
- Non-life Insurance recorded very good profitability. The operating combined ratio stood at 89.7% (87.7).
- Return on investments at fair value was 5.1% (10.7).
- Earnings before tax amounted to EUR 83 million (102) and those without non-recurring items amounted to EUR 103 million.

The non-life insurance business improved well in 2010. Growth remained strong within Private Customers and the decline in insurance premium revenue from Corporate Customers levelled off. This downward trend slowed down as the year progressed and the second-half premium revenue reached the level reported a year earlier. Insurance premium revenue increased by 2% to EUR 964 million (943). OP-Pohjola Group is the non-life insurance market leader in Finland in terms of premiums written.

Insurance premium revenue from Private Customers improved by 11% to EUR 470 million (424). The number of loyal customer households grew by 46,500 (35,400). Insurance policies sold well both in OP-Pohjola Group member banks and at car dealerships. Pohjola improved its market position among private customers.

Insurance premium revenue fell by 4% to EUR 445 million (461). This fall ended in the last quarter, bringing the insurance premium revenue to the same level as last year, EUR 114 million. The recession affected the corporate sector, reducing insurance premiums based on companies' payroll bills, net sales and operating profit. Statutory workers' compensation insurance was affected the most, with the level of premiums being lowered for 2010.

In the Baltic States, insurance premium revenue decreased by 14% to EUR 49 million (57). The economic recession has strongly affected the insurance market in the Baltic region with the result that the total market in the region shrank by almost one fifth in 2010.

Non-life Insurance had 334,000 loyal customer households in 2005. Pohjola set at the time a strategic target to have 450,000 loyal customer households by the end of 2010. This target was already reached in August, and by the end of the year, loyal customer households already numbered 471,000.

Up to 60% of these loyal customer households also use OP-Pohjola Group member cooperative banks as their main bank. OP-Pohjola Group member banks' and Helsinki OP Bank's bonus customers can use their OP bonuses earned through banking transactions to pay Pohjola non-life insurance premiums. Bonuses were used in 2010 to pay 1,088,800 insurance bills, with 195,400 of them paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 56 million.

Earnings and risk exposure

Profitability remained good despite the larger number of losses reported. Pre-tax earnings from Non-life Insurance amounted to EUR 83 million (102).
This figure includes a net amount of EUR 20 million of non-recurring items. Higher life expectancy in the mortality model commonly used by insurance companies added to technical provisions and increased claims incurred by EUR 35 million. As a result of legislative amendments, removing a provision for the guarantee scheme under statutory workers' compensation insurance and motor liability insurance, for its part, increased other income by EUR 15 million. Without non-recurring, pre-tax earnings would be have been EUR 103 million.

The operating combined ratio stood at 89.7% (87.7). These operating figures exclude changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue totalled EUR 964 million (943) and indemnities EUR 637 million (560). Earnings before tax at fair value was EUR 139 million (291). Net investment income recognised in the income statement amounted to EUR 87 million (61) and net investment income at fair value was EUR 143 million (249). Impairment charges recognised in the income statement totalled EUR 40 million.

Customer indemnities totalled EUR 637 million (560). EUR 35 million of the higher indemnities is caused by the change in the mortality model. Without this extraordinary item, the growth of claims incurred would have been 7%. Claims reported due to bad winter conditions and late-summer storms and the increasing number of major losses together with strong growth in the private customer insurance portfolio added to claims incurred. The operating loss ratio deteriorated to 68.4% (65.5) and the risk ratio (excl. loss adjustment expenses) stood at 62.5% (59.4). The reported number of major or medium–sized losses (in excess of EUR 0.1 million and over EUR 0.5 million in pension liabilities) came to 224 (190) in January–December, with their claims incurred retained for own account totalling EUR 109 million (85).

Non-life Insurance expenses decreased by EUR 0.2 million EUR 316 million (317). Personnel costs shrank by 0.9%, while other expenses increased by 0.5%.

Operating expenses as specified in the insurance company's profit and loss account were EUR 205 million (210). The operating expense ratio stood at 21.3% (22.2) and the operating cost ratio (incl. loss adjustment expenses) at 27.2 (28.2).

On 31 December, Non-life Insurance solvency capital rose to EUR 832 million (827) and the ratio of solvency capital to insurance premium revenue (solvency ratio) stood at 86% (88).

On 31 December, non-life insurance investment portfolio amounted to EUR 2.9 billion (2.9) and the return of investments at fair value was 5.1% (10.7). Fixed-income investments accounted for 71% (76), listed equities for 12% (10) and equities, including unlisted investments, represented 14% (13). The fixed-income portfolio by credit rating remained healthy, with investment-grade exposure reaching 91% (94) and 77% of the exposure being at least A– grade receivables. The average residual term to maturity of the fixed-income portfolio was 5.3 years and the duration 4.1 years (3.4).

Non-life Insurance: key figures

€ million	*2010*	*2009*	*Change, %*
Insurance premium revenue	964	943	2.3
Insurance claims and benefits	637	560	13.8
Net investment income	87	61	42.6
Unwinding of discount and other items included in net income	-30	-44	30.4
Net income from Non-life Insurance	**383**	**400**	**-4.1**
Other net income	16	20	-18.2
Personnel costs	109	110	-0.9
Other expenses	208	207	0.4
Earnings/loss before tax	**83**	**102**	**-19.4**
Gross change in fair value reserve	56	188	-70.1
Earnings/loss before tax at fair value	**139**	**291**	**-52.2**

€ million	*2010*	*2009*	*Change, %*
Insurance premium revenue			
Private Customers	470	424	10.8
Corporate Customers	445	461	-3.5
Baltic States	49	57	-14.2
Total insurance premium revenue	**964**	**943**	**2.3**

€ billion	*31 Dec 2010*	*31 Dec 2009*	*Change, %*
Insurance contract liabilities			
Discounted insurance contract liabilities	1.4	1.3	3.8
Other insurance contract liabilities	0.8	0.8	3.5
Total	**2.2**	**2.1**	**3.7**
Investments portfolio			
Bonds and bond funds	2.1	2.1	0.4
Money market instruments	0.0	0.1	-86.6
Equities and equity funds	0.4	0.4	16.2
Real property investment *)	0.2	0.2	26.2
Alternative investments	0.2	0.2	33.4
Total investments	**2.9**	**2.9**	**2.6**

*) Includes real estate funds

Life Insurance

- The market share of premiums written in life and pension insurance rose to 38.6%.
- The market position improved in unit-linked premiums written, as set in the strategy as a target.
- Return on investments at fair value was 9.5% (8.8).
- The segment's earnings increased by EUR 203 million to EUR 43 million (-159), and earnings before tax at fair value improved to EUR 203 million (194).
- The solvency margin was 3.4-fold compared with the required minimum.

The operating environment for the life insurance business developed favourably in 2010. Continued equity market recovery paved the way for good performance and capital adequacy. Premiums written rose to EUR 4.8 billion (3.1), or up by 56% year on year. The key factors that contributed to the growth were capital redemption contracts, with more than double the premiums written at EUR 1.6 billion (0.7). Premiums written in group pension insurance grew significantly especially owing to major portfolio transfers.

OP-Pohjola Group's Life Insurance segment continued to enjoy positive volume and earnings performance, with an even better market position in 2010. Insurance contract premiums written increased by 90% and came to EUR 1,287 million (678). Unit-linked premiums written increased by 38% to EUR 508 million (368). Investment contracts were made in the accounting period worth EUR 531 million (69). When calculating market share, investment contracts are considered equivalent to premiums written. The increase in volume is mostly related to two one-off group pension schemes, which contributed considerably to the rise in market share.

In terms of premiums written, OP-Pohjola Group is the clear market leader. The Group's market share of premiums written was 38.6% (25.2) and 21.3% (20) of insurance savings. Our market share of unit-linked premiums written was 22.5% (20.5) and 24.5% (24.6) of unit-linked insurance savings.

Earnings and risk exposure

Pre-tax earnings came to EUR 43 million, improving on the comparison period by EUR 203 million. Earnings before tax at fair value came to EUR 263 million (194). Earnings in the accounting period are eroded by an EUR 18 million net increase in provisions for supplementary benefits and any changes in reserving bases. Net investment income without the income from unit-linked insurance came to EUR 166 million (-63). Investment income was improved particularly by smaller impairments on investments, and higher capital gains.

Life insurance investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.7 billion (4.1). Fixed-income investments accounted for 59% (57.5), equity investments 18% (17), property investments 8% (8) and alternative investments 15% (17) of the portfolio. Investments under the 'investment grade' accounted for approximately 71% (77) of the fixed-income portfolio. The portfolio's modified duration was 3.7 (3.6) on 31 December. Return on investments at fair value was 9.5% (8.8).

Life Insurance's operating efficiency remained good. The cost ratio, in which sales channel fees are excluded and in which all income to cover business expenses are included as income, came to 28.6% (31.7). Thanks to higher sales volumes, sales commissions included in Other expenses increased to EUR 41 million (30).

Life Insurance's solvency improved in the accounting period. The solvency ratio, meaning the ratio of solvency capital to weighted technical provisions, was 15.9% (13.3). Technical provisions excluding investment contracts increased by 18.9% and came to EUR 7.1 billion (6). Unit-linked technical provisions accounted for 43.4% (39).

Life Insurance: key figures

€ million	*2010*	*2009*	*Change, %*
Premiums written	1,287	678	89.9
Unit-linked	508	368	38.1
Net investment income	539	371	45.5
Unit-linked	374	433	-13.8
Change in insurance contract liabilities	1,119	653	71.4
Unit-linked	755	761	-0.8
Claims incurred	588	499	17.7
Other items	-11	-7	-59.4
Net income from Life Insurance	**109**	**-110**	**198.5**
Other income	16	16	-2.7
Personnel costs	9	9	6.5
Other expenses	72	57	27.4
Earnings/loss before tax	**43**	**-159**	**127.2**
Gross change in fair value reserve	220	354	-37.8
Earnings/loss before tax at fair value	**263**	**194**	**35.5**

€ billion	*31 Dec 2010*	*31 Dec 2009*	*Change, %*
Assets (excluding assets covering unit-linked insurance)			
Bonds and bond funds	2.4	2.2	7.9
Money market instruments	0.4	0.2	104.4
Equities and equity funds	0.9	0.7	20.8
Real property investment **)	0.4	0.3	16.1
Alternative investments	0.7	0.7	-3.0
Total investment portfolio	**4.7**	**4.1**	**13.4**

€ million	*2010*	*2009*	*Change, %*
Premiums written, FAS			
Endowment insurance, unit-linked	410	270	51.9
Endowment insurance, interest-bearing	56	116	-51.3
Pension insurance	759	235	223.7
Term life insurance	88	83	6.3
Others	533	69	676.8
Total premiums written, FAS	**1,846**	**771**	**139.4**
Unit-linked	625	377	66.0
		,	
Market share of premiums written in life and pension insurance, %	38.6	25.2	13.4

€ billion	*31 Dec 2010*	*31 Dec 2009*	*Change, %*
Insurance savings			
Endowment insurance, unit-linked	2.3	1.7	33.4
Endowment insurance, interest-bearing	2.1	2.3	-12.3
Pension insurance	2.7	1.9	43.0
Others	0.1	0.2	-48.6
Total insurance savings	**7.1**	**6.1**	**16.7**
Unit-linked	3.1	2.4	31.9
Market share of insurance savings in life and pension insurance, %	21.3	20.0	1.3

* Percentage points
** Includes real estate funds

Other Operations

Other Operations' pre-tax earnings for January–December were EUR 86 million, that is, EUR 35 million higher than a year earlier (51).

Net interest income was EUR 61 million (72), net trading losses EUR 8 million (loss of EUR 7 million) and net investment income EUR 40 million (loss of EUR 5 million). Net investment income totalled EUR 29 million (1). This figure includes realised capital gains of EUR 1 million recognised on the notes and bonds (-5). Impairments recognised on shares and participations categorised under available-for-sale financial assets totalled EUR 4 million (9), while a year ago impairments recognised on bonds, which we categorised under loans and other receivables, totalled EUR 12 million.

Most of the other income in Other Operations came from within the Group as internal service charges, which are recorded as business segment expenses. Of the Other Operations expenses, EUR 120 million (108) were personnel costs and EUR 229 million (225) other costs.

The availability of funding remained good. The amount of long-term funding was increased during the accounting period by Pohjola Bank plc issuing bonds totalling EUR 2.25 billion in international capital markets.

Other Operations: key figures

€ million	*2010*	*2009*	*Change, %*
Net interest income	61	72	-15.0
Net trading income	-8	-7	-21.2
Net investment income	40	-5	
Other income	342	336	1.6
Expenses	349	333	4.8
Impairment losses on receivables	-1	12	-104.3
Earnings before tax	**86**	**51**	**67.8**
€ billion	*31 Dec 2010*	*31 Dec 2009*	*Change, %*
Receivables from financial institutions	7.8	7.4	5.9
Financial assets held for trading	0	0.4	-116.8
Investment assets	7.3	6.5	13.4
Liabilities to credit institutions	4.0	4.6	-11.7
Debt securities issued to the public	17.0	17.5	-2.7

FINANCIAL STATEMENTS AND NOTES

OP-Pohjola Group income statement

EUR million	2010	2009	Change, %
Interest income	2,412	3,072	-21
Interest expenses	1,495	2,002	-25
Net interest income (Note 2)	**917**	**1,070**	**-14**
Impairments of receivables (Note 3)	149	179	-17
Net interest income after impairments	**768**	**891**	**-14**
Net income from Non-life Insurance operations (Note 4)	382	396	-3
Net income from Life Insurance operations (Note 5)	100	-120	
Net commissions and fees (Note 6)	563	496	14
Net trading income (Note 7)	46	112	-59
Net investment income (Note 8)	62	-9	
Other operating income (Note 9)	99	104	-4
Personnel costs (Note 10)	643	622	3
Other administrative expenses (Note 11)	319	310	3
Other operating expenses (Note 12)	324	316	3
Returns to owner-members (Note 13)	163	160	2
Share of associates' profits/losses	2	1	45
Earnings before tax for the period	**575**	**464**	**24**
Income tax expense	135	126	8
Profit for the period	**440**	**338**	**30**

OP-Pohjola Group statement of comprehensive income

EUR million	2010	2009	Change, %
Profit for the period	**440**	**338**	**30**
Change in fair value reserve			
Measurement at fair value	234	677	-65
Cash flow hedge	-8	-	0
Translation differences	0	0	
Income tax on other comprehensive income			
Measurement at fair value	56	175	-68
Cash flow hedge	2	-	0
Total comprehensive income for the period	**606**	**839**	**-28**

Key figures and ratios

	2010	2009
Return on equity, %	6.8	5.9
Return on equity at fair value, %	9.4	14.7
Return on assets, %	0.53	0.43
Cost/income ratio, %	59	61
Average personnel	12,468	12,632
Full-time	11,394	11,520
Part-time	1,074	1,112

Definition of key figures and ratios

Return on equity, %
Profit for the period /
Equity capital (average of the beginning and end of the period) x 100

Return on equity at fair value, %
Profit for the period + change in fair value reserve less deferred tax liability /
equity capital (average of the beginning and end of the period) x 100

Return on assets, %
Profit for the period /
Statement of financial position total (average of the beginning and end of the period) x 100

Cost/income ratio, %
(Personnel costs + other administrative expenses + other operating expenses) /
(Net interest income + net income from Non-life Insurance operations + net income from Life Insurance operations + net commissions and fees + net trading income + net investment income + other operating income + share of associates' profits/losses) x 100

Combined ratio (excl. unwinding of discount), %
Loss ratio+expense ratio
Risk ratio+cost ratio

Loss ratio (exc. unwinding of discount), %
Claims and loss adjustment expenses /
Net insurance premium revenue x 100

Expense ratio, %
Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition /
Net insurance premium revenue x 100

Risk ratio (excl. unwinding of discount), %
Claims excl. loss adjustment expenses /
Net insurance premium revenue x 100

Cost ratio, %
Operating expenses and loss adjustment expenses /
Net insurance premium revenue x 100

Operating cost ratio, %
Operating expenses before change in deferred acquisitions costs + loss adjustment expenses/
Expense loading x 100

OP-Pohjola Group quarterly performance

	2009	2010			
EUR million	Q4	Q1	Q2	Q3	Q4
Interest income	605	573	592	606	641
Interest expenses	359	349	364	380	403
Net interest income	**245**	**224**	**228**	**226**	**238**
Impairments of receivables	52	38	40	31	41
Net interest income after impairments	**194**	**186**	**189**	**196**	**198**
Net income from Non-life Insurance operations	94	78	113	119	73
Net income from Life Insurance operations	-31	14	32	15	39
Net commissions and fees	125	143	139	135	146
Net trading income	25	6	6	26	8
Net investment income	2	31	3	0	28
Other operating income	28	26	23	19	31
Personnel costs	154	164	171	142	166
Other administrative expenses	87	75	80	70	94
Other operating expenses	88	78	75	86	85
Returns to owner-members	39	39	42	41	42
Share of associates' profits/losses	0	1	0	1	0
Earnings before tax for the period	**70**	**128**	**137**	**172**	**137**
Income tax expense	18	33	36	46	20
Profit for the period	**52**	**95**	**101**	**126**	**117**
Other comprehensive income					
Change in fair value reserve					
Measurement at fair value	131	212	-137	182	-24
Cash flow hedge	-	-	0	-1	-7
Translation differences					
Income tax on other comprehensive income					
Measurement at fair value	34	56	-36	47	-10
Cash flow hedge	-	-	0	0	2
Total comprehensive income for the period	**149**	**252**	**0**	**260**	**94**

OP-Pohjola Group balance sheet

EUR million	31 Dec 2010	31 Dec 2009	Change, %
Cash and cash equivalents	1,628	3,235	-50
Receivables from credit institutions	1,121	1,982	-43
Financial assets at fair value through profit or loss	519	1,263	-59
Derivative contracts	1,933	1,423	36
Receivables from customers	56,834	52,992	7
Non-life Insurance assets (Note 17)	3,164	3,101	2
Life Insurance assets (Note 18)	7,544	6,331	19
Investment assets	7,438	6,468	15
Investments in associates	38	17	
Intangible assets	1,159	1,179	-2
Property, plant and equipment (PPE)	716	761	-6
Other assets	1,749	1,572	11
Tax assets	125	108	16
Total assets	**83,969**	**80,430**	**4**
Liabilities to credit institutions	1,696	2,174	-22
Financial liabilities at fair value through profit or loss	0	71	-100
Derivative contracts	1,951	1,360	43
Liabilities to customers	39,205	37,606	4
Non-life Insurance liabilities	2,350	2,279	3
Life Insurance liabilities	7,290	6,179	18
Debt securities issued to the public (Note 21)	19,577	19,945	-2
Provisions and other liabilities	2,333	1,832	27
Tax liabilities	1,014	925	10
Cooperative capital	647	622	4
Subordinated liabilities	1,178	1,250	-6
Total liabilities	**77,243**	**74,243**	**4**

Equity capital

Share of OP-Pohjola Group's owners

Share and cooperative capital	368	358	3
Fair value reserve (Note 22)	112	-54	
Other reserves	2,656	2,604	2
Retained earnings	3,590	3,280	9
Total equity capital	**6,726**	**6,187**	**9**
Total liabilities and equity capital	**83,969**	**80,430**	**4**

Statement of changes in equity capital

EUR million	Share and cooperative capital	Fair value reserve: Measure-ment at fair value	Fair value reserve: Cash flow hedge	Other re-serves	Retained earnings	Total equity capital
Balance at 1 January 2009	**362**	**-556**	**-**	**2,375**	**3,034**	**5,215**
Rights issue	-	-	-	176	-	176
Transfer of cooperative capital to equity capital	4	-	-	-	-	4
Issue expenses	-	-	-	-7	-	-7
Transfer of reserves	-	-	-	62	-62	-
Profit distribution	-	-	-	-	-31	-31
Total comprehensive income for the period	-	501	-	-	338	839
Equity-settled share-based transactions	-	-	-	-	0	0
Other	-7	-	-	-2	0	-10
Balance at 31 December 2009	**358**	**-54**	**-**	**2,604**	**3,280**	**6,187**
Balance at 1 January 2010	**358**	**-54**	**0**	**2,604**	**3,280**	**6,187**
Increase of share capital	-	-	-	-	-	-
Transfer of cooperative capital to equity capital	4	-	-	-	-	4
Transfer of reserves	-	-	-	57	-57	-
Profit distribution	-	-	-	-	-62	-62
Total comprehensive income for the period	-	173	**-6**	-	440	606
Equity-settled share-based transactions	-	-	-	-	1	1
Other	6	-	-	-5	-11	-10
Balance at 31 December 2010	**368**	**118**	**-6**	**2,656**	**3,590**	**6,726**

Cash flow statement

EUR million	2010	2009
Cash flow from operating activities		
Profit for the period	440	338
Adjustments to profit for the period	1,440	1,211
Increase (-) or decrease (+) in operating assets	**-4,576**	**-4,041**
Receivables from credit institutions	869	391
Financial assets at fair value through profit or loss	865	1,901
Derivative contracts	-89	-36
Receivables from customers	-4,037	-1,479
Non-life Insurance assets	-113	-350
Life Insurance assets	-715	-849
Investment assets	-1,177	-3,894
Other assets	-180	275
Increase (+) or decrease (-) in operating liabilities	**1,520**	**1,375**
Liabilities to credit institutions	-482	1,481
Financial liabilities at fair value through profit or loss	-71	-67
Derivative contracts	91	-9
Liabilities to customers	1,598	524
Non-life Insurance liabilities	54	43
Life Insurance liabilities	-8	113
Provisions and other liabilities	337	-710
Income tax paid	-120	-65
Dividends received	88	58
A. Net cash from operating activities	**-1,210**	**-1,125**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-53	-416
Decreases in held-to-maturity financial assets	244	482
Acquisition of subsidiaries, net of cash acquired	-28	0
Disposal of subsidiaries, net of cash disposed	17	1
Purchase of PPE and intangible assets	-83	-88
Proceeds from sale of PPE and intangible assets	7	5
B. Net cash used in investing activities	**104**	**-16**
Cash flow from financing activities		
Increases in subordinated liabilities	82	211
Decreases in subordinated liabilities	-163	-267
Increases in debt securities issued to the public	47,351	55,596
Decreases in debt securities issued to the public	-47,704	-53,823
Increases in cooperative and share capital	248	276
Decreases in cooperative and share capital	-220	-221
Dividends paid and interest on cooperative capital	-75	-52
Returns to owner-members	-8	-7
Increases in invested unrestricted equity	0	171
Other	0	0
C. Net cash from financing activities	**-488**	**1,885**
Net change in cash and cash equivalents (A+B+C)	**-1,593**	**744**
Cash and cash equivalents at period-start	**3,282**	**2,538**
Cash and cash equivalents at period-end	**1,689**	**3,282**
Interest received	**2,324**	**3,345**
Interest paid	**-1,435**	**-2,474**
Adjustments to profit for the period		
Non-cash transactions and other adjustments		
Impairments of receivables	158	190
Unrealised net earnings in Non-life Insurance	123	106

Unrealised net earnings in Life Insurance	843	501
Change in fair value for trading	-5	42
Unrealised net gains on foreign exchange operations	-15	-23
Change in fair value of investment property	-1	11
Depreciation and amortisation	136	135
Share of associates' profits/losses	0	0
Other	189	225
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-9	-1
Interest on cooperative capital	15	18
Other returns to owner-members	8	7
Total adjustments	**1,440**	**1,211**
Cash and cash equivalents		
Liquid assets	132	140
Receivables from credit institutions payable on demand	1,557	3,143
Total	**1,689**	**3,282**

Notes

Note 1. Accounting policies

The Financial Statements for 1 January-31 December 2010 have been prepared in accordance with IAS 34 (Interim Financial Reporting), as approved by the EU.

The Financial Statements 2010 contain a description of the accounting policies applied by OP-Pohjola Group. During the current period, the Group applied cash flow hedging when hedging future cash flows from variable-rate debt or other variable-rate assets and liabilities. Interest rate swaps are used as hedging instruments. Derivative contracts documented as cash flow hedges and provide effective hedges are measured at fair value. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. Fair value changes recognised in shareholders' equity are included in the income statement in the period when hedged items affect net income.

Information in the Financial Statements Bulletin is based on unaudited information. Since all figures in the Bulletin have been rounded off, the sum of single figures may differ from the presented sum total.

Summary of presentation of income statement:

Net interest income	Received and paid interest on fixed-income instruments, the recognised difference between the nominal value and acquisition value, interest on interest-rate derivatives and fair value change in fair value hedging
Net income from Non-life Insurance operations	Premiums written, claims unpaid, change in provision for unearned premiums and for unpaid claims, investment income, expenses (interest, dividends, realised capital gains and losses) and impairments
Net income from Life Insurance operations	Premiums written, claims unpaid, change in provision for unearned premiums and for unpaid claims, investment income, expenses (interest, dividends, realised capital gains and losses) and impairments
Net commissions and fees	Commission income and expenses, and the recognition of Day 1 profit related to illiquid derivatives
Net trading income	Fair value changes in financial instruments at fair value through profit or loss, excluding accrued interest, and capital gains and losses, as well as dividends
Net investment income	Realised capital gains and losses on available-for-sale financial assets, impairments, dividends as well as fair value changes in investment property, capital gains and losses, rents and other property-related expenses
Other operating income	Other operating income
Personnel costs	Wages and salaries, pension costs, social expenses
Other administrative expenses	Office expenses, IT costs, other administrative expenses
Other operating expenses	Depreciation/amortisation, rents and other operating expenses

Notes to the income statement and balance sheet

Note 2 Net interest income

EUR million	2010	2009	Change, %
Loans and other receivables	1,277	1,718	-26
Receivables from credit institutions and central banks	23	31	-26
Notes and bonds	299	301	-1
Derivatives held for trading (net)	55	79	-30
Liabilities to credit institutions	-16	-13	17
Liabilities to customers	-269	-472	-43
Debt securities issued to the public	-326	-430	-24
Subordinated debt	-32	-36	-9
Hybrid capital	-7	-11	-34
Financial liabilities held for trading	-1	-5	-84
Other (net)	-3	4	
Net interest income before items under hedge accounting	**1,000**	**1,165**	**-14**
Derivatives under hedge accounting (net)	-84	-95	-12
Total net interest income	**917**	**1,070**	**-14**

Note 3 Impairments of receivables

EUR million	2010	2009	Change, %
Impairments of receivables	231	223	3
Reversals of impairments	-79	-46	-74
Payments on impaired receivables amortised from statement of financial position	-10	-11	10
Net change in group-specific impairments	7	12	-44
Total	**149**	**179**	**-17**

Note 4 Net income from Non-life Insurance

EUR million	2010	2009	Change, %
Net insurance premium revenue			
Premiums written	1,023	1,005	2
Insurance premiums ceded to reinsurers	-40	-51	22
Change in provision for unearned premiums	-13	-15	11
Reinsurers' share	-6	4	
Total	**964**	**943**	**2**
Net Non-life Insurance claims			
Claims paid	655	595	10
Insurance claims recovered from reinsurers	-29	-20	-47
Change in provision for unpaid claims	19	-30	
Reinsurers' share	-8	15	
Total	**637**	**560**	**14**
Net investment income, Non-life Insurance			
Interest income	64	68	-5
Dividend income	21	7	
Property	1	4	-82
Realised changes in fair value			
Notes and bonds	53	7	
Shares and participations	-2	15	
Loans and receivables	1	0	
Property	3	1	
Derivatives	-20	-21	5
Unrealised changes in fair value			
Notes and bonds	0	1	-90
Shares and participations	-33	-20	-67
Loans and receivables	-4	-4	0
Property	1	1	-27
Derivatives	0	-2	89
Other	1	0	
Total	**86**	**58**	**50**
Unwinding of discount	-45	-43	-4
Other	14	-1	
Net income from Non-life Insurance	**382**	**396**	**-3**

Note 5 Net income from Life Insurance

EUR million	2010	2009	Change, %
Premiums written	1,315	703	87
Reinsurers' share	-28	-25	-11
Total	**1,287**	**678**	
Claims incurred			
Benefits paid	-595	-504	-18
Change in provision for unpaid claims	-414	-13	
Reinsurers' share	7	5	30
Change in insurance contract liabilities			
Change in life insurance provision	-698	-640	-9
Reinsurers' share	10	11	-3
Total	**-1,689**	**-1,140**	-48
Other	-29	-19	-53
Total	**-431**	**-481**	**-11**
Net investment income, Llife Insurance			
Interest income	47	53	-11
Dividend income	49	40	24
Property	2	0	
Realised changes in fair value			
Notes and bonds	6	-8	
Shares and participations	128	28	
Loans and receivables	1	-8	
Property	0	0	
Derivatives	-43	-12	
Unrealised changes in fair value			
Notes and bonds	17	-3	
Shares and participations	-58	-150	61
Loans and receivables	-3	-	
Property	-1	-1	
Derivatives	2	-15	
Other	11	6	
Assets serving as cover for unit-linked policies			
Shares and participations			
Capital gains and losses	53	65	-18
Fair value gains and losses	297	353	-16
Other	23	15	53
Total	**531**	**362**	47
Net income from Non-life Insurance	**100**	**-120**	

Note 6 Commissions and fees

EUR million	2010	2009	Change, %
Commission income			
Lending	153	139	10
Deposits	5	5	-3
Payment transfers	150	132	13
Securities brokerage	30	22	35
Securities issuance	13	13	5
Mutual funds brokerage	89	60	48
Asset management and legal services	65	54	20
Insurance brokerage	57	73	-22
Guarantees	23	21	10
Other	39	48	-17
Total	**624**	**567**	**10**
Commission expenses			
Total	**61**	**71**	**-14**
Net commissions and fees	**563**	**496**	**14**

Note 7 Net trading income

EUR million	2010	2009	Change, %
Capital gains and losses			
Notes and bonds	20	37	-47
Shares and participations	2	-3	
Derivatives	-13	123	
Changes in fair value			
Notes and bonds	3	-9	
Shares and participations	5	17	-70
Derivatives	12	-66	
Financial assets and liabilities amortised at cost			
Capital gains and losses			
Loans and other receivables	-	0	
Dividend income	1	0	37
Net income from foreign exchange operations	17	12	40
Total	**46**	**112**	**-59**

Note 8 Net investment income

EUR million	2010	2009	Change, %
Available-for-sale financial assets			
Capital gains and losses			
Notes and bonds	32	2	
Shares and participations	13	0	
Financial assets and liabilities amortised at cost			
Capital gains and losses			
Loans and other receivables	1	-	
Other	-	-	
Dividend income	15	9	59
Impairment losses	-17	-28	-40
Total	**44**	**-16**	
Investment property			
Rental income	45	48	-6
Maintenance charges and expenses	-29	-30	2
Changes in fair value, capital gains and losses	1	-11	
Other	0	1	-33
Total	**18**	**8**	
Other	-	0	-100
Net investment income	**62**	**-9**	

Note 9 Other operating income

EUR million	2010	2009	Change, %
Income from property and business premises in own use	15	14	6
Other	84	90	-6
Total	**99**	**104**	**-4**

Note 10 Personnel costs

EUR million	2010	2009	Change, %
Wages and salaries	542	534	2
Pension costs	76	58	31
Other social expenses	25	31	-18
Total	**643**	**622**	**3**

Note 11 Other administrative expenses

EUR million	2010	2009	Change, %
Office expenses	63	66	-4
IT expenses	110	101	9
Telecommunications expenses	38	37	3
Marketing expenses	49	53	-8
Other administrative expenses	59	54	11
Total	**319**	**310**	**3**

Note 12 Other operating expenses

EUR million	2010	2009	Change, %
Expenses for property and business premises in own use	82	73	12
Depreciation	136	135	1
Other	105	107	-2
Total	**324**	**316**	**3**

Note 13 Returns to owner-members

EUR million	2010	2009	Change, %
Bonuses	151	142	6
Interest on cooperative capital	12	18	-33
Total	**163**	**160**	**2**

Note 14. Classification of financial instruments

EUR million	Loans and other receivables	Investments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Assets						
Cash and balances with central banks	1,628	-	-	-	-	1,628
Receivables from credit institutions and central banks	1,121	-	-	-	-	1,121
Derivative contracts	-	-	1,734	-	199	1,933
Receivables from customers	56,834	-	-	-	-	56,834
Non-life Insurance assets**	625	-	96	2,442	-	3,164
Life Insurance assets***	517	-	3,398	3,629	-	7,544
Notes and bonds	-	978	453	5,581	-	7,012
Shares and participations	-	-	67	451	-	517
Other receivables	3,787	-	428	-	-	4,216
Total 31 December 2010	**64,512**	**978**	**6,177**	**12,104**	**199**	**83,969**
Total 31 December 2009	**63,125**	**1,163**	**5,757**	**10,229**	**156**	**80,430**

EUR million			Financial liabilities at fair value through profit or loss******	Other liabilities	Hedging derivatives	Total
Liabilities						
Liabilities to credit institutions	-	-	-	1,696	-	1,696
Financial liabilities held for trading (excl. derivatives)	-	-	0	-	-	0
Derivative contracts	-	-	1,723	-	228	1,951
Liabilities to customers	-	-	-	39,205	-	39,205
Non-life Insurance liabilities***	-	-	2	2,349	-	2,350
Life Insurance liabilities****	-	-	3,090	4,200	-	7,290
Debt securities issued to the public	-	-	-	19,577	-	19,577
Subordinated loans	-	-	-	1,178	-	1,178
Other liabilities	-	-	-	3,993	-	3,993
Total 31 December 2010	**-**	**-**	**4,815**	**72,200**	**228**	**77,243**
Total 31 December 2009	**-**	**-**	**3,601**	**70,476**	**166**	**74,243**

*Assets at fair value through profit or loss include financial assets for trading, financial assets at fair value through profit or loss at inception, and investments and investment property covering unit-linked insurance policies.
**Non-life Insurance assets are specified in Note 17.
***Life Insurance assets are specified in Note 18.
****Non-life Insurance liabilities are specified in Note 19.
*****Life Insurance liabilities are specified in Note 20.
******Includes the balance sheet value of technical provisions related to unit-linked insurance policies.

Debt securities issued to the public are carried at amortised cost.
On 31 December 2010, the fair value of these debt instruments was approximately EUR 108 million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques.
Subordinated liabilities are carried at amortised cost. Their fair value are substantially lower than their carrying amount, but determining fair values reliably is difficult in the current market situation.

Note 15. Balance sheet classification according to valuation technique

Fair value of assets in EUR million on 31 December 2010	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	307	199	14	519
Non-life Insurance	-	-	8	8
Life Insurance	0	0	116	116
Derivative financial instruments				
Banking	32	1,764	137	1,933
Non-life Insurance	0	1	0	1
Life Insurance	-	0	-	0
Available-for-sale				
Banking	5,379	592	61	6,032
Non-life Insurance	1,563	648	231	2,442
Life Insurance	2,428	496	705	3,629
Total	9,709	3,525	1,446	14,681

Fair value of assets in EUR million on 31December 2009	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	536	706	21	1,263
Non-life Insurance	-	-	8	8
Life Insurance	-	-	182	182
Derivative financial instruments				
Banking	6	1,336	81	1,423
Non-life Insurance	0	0	-	0
Life Insurance	-	-	-	-
Available-for-sale				
Banking	4,447	337	65	4,849
Non-life Insurance	1,544	552	193	2,290
Life Insurance	2,209	251	631	3,091
Total	**8,742**	**3,182**	**1,181**	**13,106**

Fair value of liabilities in EUR million on 31 December 2010	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	0	-	-	0
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	22	1,917	12	1,951
Non-life Insurance	1	0	0	2
Life Insurance	-	-	-	-
Total	**24**	**1,746**	**184**	**1,953**

Fair value of liabilities in EUR million on 31 December 2009	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	71	-	-	71
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	1	1,327	33	1,360
Non-life Insurance	-	0	-	0
Life Insurance	-	0	-	0
Total	72	1,327	33	1,431

* This level includes equities listed on major stock exchanges, quoted corporate debt instruments, bonds issued by governments and financial institutions with credit rating of at least A-, and exchange-traded derivatives. The fair value of these instruments is determined on the basis of market quotes.

** Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. The fair value hierarchy level at Pohjola Group includes OTC derivatives, treasury bills/notes, debt instruments issued by companies and financial institutions, repo agreements, and securities lent or borrowed.
*** Valuation techniques whose input parameters involve special uncertainty. The fair value determination of the financial instruments included within this level contains inputs not based on observable market data (unobservable inputs). This level includes the most complex OTC derivatives, certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds.

Note 16. Reclassified notes and bonds

The table below shows the carrying amounts and fair values of the reclassified notes and bonds:

31 December 2010, EUR million	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	1,549	1,543	5.5	93
Investments held to maturity	677	626	4.2	-
Available-for-sale financial assets	-	-	-	-
Total	**2,226**	**2,169**		**93**

31 December 2009, EUR million	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	2,838	2,856	5.1	71
Investments held to maturity	798	761	4.2	-
Available-for-sale financial assets	-	-	-	-
Total	3,636	3,617		71

Note 17 Non-life Insurance assets

EUR million	31 Dec 2010	31 Dec 2009	Change, %
Investments			
Loan and other receivables	229	335	-32
Shares and participations	400	387	3
Property	87	78	12
Notes and bonds	1,490	1,381	8
Derivatives			
Other participations	561	530	6
Total	**2,768**	**2,711**	**2**
Other assets			
Prepayments and accrued income	38	37	3
Other			
Arising from direct insurance operations	228	214	6
Arising from reinsurance operations	87	89	-3
Cash in hand and at bank	4	4	-8
Other receivables	39	44	-12
Total	**396**	**389**	**2**
Non-life Insurance assets	**3,164**	**3,101**	**2**

Note 18 Life Insurance assets

EUR million	31 Dec 2010	31 Dec 2009	Change, %
Investments			
Loan and other receivables	418	446	-6
Shares and participations	2,818	2,777	1
Property	135	122	11
Notes and bonds	927	496	87
Other	0	0	
Total	**4,298**	**3,841**	**12**
Assets covering unit-linked insurance contracts			
Shares and participations	3,147	2,381	32
Other assets			
Prepayments and accrued income	32	25	28
Other			
Arising from direct insurance operations	7	33	-80
Arising from reinsurance operations	61	50	21
Cash in hand and at bank	0	1	-99
Total	**99**	**108**	**-9**
Life Insurance assets	**7,544**	**6,331**	**19**

Note 19 Non-life Insurance liabilities

EUR million	31 Dec 2010	31 Dec 2009	Change, %
Provision for unpaid claims			
Provision for unpaid claims for annuities	1,108	1,057	5
Other provision for unpaid claims	739	726	2
Total	1,847	1,783	4
Provisions for unearned premiums	377	362	
Other liabilities	127	134	
Total	**2,350**	**2,279**	**3**

Note 20. Life Insurance liabilities

EUR million	31 Dec 2010	31 Dec 2009	Change, %
Technical provisions	4,024	3,649	10
Insurance contract liabilities for unit-linked insurance policies	3,090	2,335	32
Other liabilities	176	194	-9
Total	**7,290**	**6,179**	18

Note 21 Debt securities issued to the public

EUR million	31 Dec 2010	31 Dec 2009	Change, %
Bonds	9,693	9,168	6
Certificates of deposit, commercial papers and ECPs	9,623	10,549	-9
Other	262	227	15
Total	**19,577**	**19,945**	**-2**

Note 22 Fair value reserve after income tax

EUR million	31 Dec 2010	31 Dec 2009	Change, %
Notes and bonds	-75	24	
Shares and participations	194	-79	
Other	-6	-	
Total	**112**	**-54**	

The negative fair value reserve may recover by means of asset sales and appreciation, and recognised impairments. Only the value changes in the fair value reserve are recognised which the management deem to fulfil the relevant requirements.

The fair value reserve before tax amounted to EUR 151 million (-74) and the related deferred tax liability to EUR 39 million (deferred tax asset EUR 19 million). On 30 September, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 286 million (180) million and negative mark-to-market valuations EUR 19 million (265). During 2007–10, impairment charges recognised from the fair value reserve in the income statement totalled EUR 509 million, of which EUR 142 million were recognised in 2010.

Other notes

Note 23 Collateral given

EUR million	31 Dec 2010	31 Dec 2009	Change, %
Given on behalf of own liabilities and commitments			
Mortgages	1	1	0
Pledges	6,020	5,839	3
Other	349	600	-42
Total	**6,370**	**6,440**	**-1**

Note 24 Off-balance-sheet items

EUR million	31 Dec 2010	31 Dec 2009	Change, %
Guarantees	1,223	1,391	-12
Other guarantee liabilities	1,621	1,548	5
Pledges	1	1	0
Loan commitments	8,805	8,789	0
Commitments related to short-term trade transactions	164	131	25
Other	783	785	0
Total off-balance-sheet items	**12,595**	**12,644**	**0**

Note 25 Derivative contracts

	31 Dec 2010					
EUR million	Nominal values / remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	45,568	57,161	28,059	130,788	1,461	1,400
Currency derivatives	16,143	2,081	675	18,898	324	409
Equity and index-linked derivatives	160	967	29	1,156	128	0
Credit derivatives	13	162	-	175	5	0
Other derivatives	3,561	261	-	3,822	30	44
Total derivatives	**65,445**	**60,632**	**28,763**	**154,840**	**1,948**	**1,854**

	31 Dec 2009					
EUR million	Nominal values / remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	42,048	45,394	12,995	100,437	1,155	1,104
Currency derivatives	11,274	1,959	489	13,722	239	338
Equity and index-linked derivatives	177	814	41	1,032	87	0
Credit derivatives	56	178	-	234	4	2
Other derivatives	3,850	252	-	4,102	3	24
Total derivatives	**57,406**	**48,597**	**13,525**	**119,528**	**1,488**	**1,469**

Note 26 Related-party transactions

OP-Pohjola Group's related parties comprise associates, administrative personnel and other related-party companies. The administrative personnel comprises OP-Pohjola Group's Executive Chairman (Chairman of the Executive Board of OP-Pohjola Group Central Cooperative), President of OP-Pohjola Group Central Cooperative, members and deputy members of the Executive and Supervisory Boards and their family members. Other organisations considered as related parties include OP Bank Group Pension Fund and OP Bank Group Pension Foundation.

SWith respect to loans granted to the management, OP-Pohjola Group applies standard terms and conditions for credit. Loans are tied to generally used reference rates.

31 Dec 2010			
EUR million	Associates	Management	Others
Loans	84	11	-
Other receivables	0	2	0
Deposits	1	12	42
Other liabilities	-	-	-
Interest income	0	0	-
Interest expenses	0	0	1
Dividend income	-	-	-
Commission income	0	0	0
Commission expenses	0	0	0
Other operating income	-	-	-
Impairments of loans	-	-	-
Impairments of loans at the end of the period	-	-	-
Off-balance-sheet items			
Guarantees	-	-	-
Irrevocable commitments	-	-	-
Other off-balance-sheet commitments	-	0	-
Wages and salaries and performance-based pay			
Wages and salaries	-	5	-
Performance-based pay	-	-	-
Holdings of related parties			
Number of share options	-	-	-
Number of shares	-	183,841	5,784,097
Number of participations	-	4,898	-

31 Dec 2009

EUR million	Associates	Management	Others
Loans	100	4	-
Other receivables	0	0	0
Deposits	0	11	63
Other liabilities	-	-	-
Interest income	0	0	-
Interest expenses	0	0	1
Dividend income	1	-	-
Commission income	0	0	0
Commission expenses	0	0	0
Other operating income	-	-	-
Impairments of loans	-	-	-
Impairments of loans at the end of the period	-	-	-
Off-balance-sheet items			
Guarantees	-	-	-
Irrevocable commitments	-	-	-
Other off-balance-sheet commitments	-	0	-
Wages and salaries and performance-based pay			
Wages and salaries	-	5	-
Performance-based pay	-	-	-
Holdings of related parties			
Number of share options	-	-	-
Number of shares	-	155,676	5,784,097
Number of participations	-	4,799	-

The Financial Statements Bulletin for 1 January–31 December 2010 have been prepared in accordance with IAS 34 (Interim Financial Reporting) as approved by the EU.

The Financial Statements 2010 contain a description of the accounting policies applied. These Financial Statements are based on unaudited figures. Given that all figures have been rounded off, the sum total of individual figures may deviate from the presented sums.

Pohjola Bank plc will publish its own financial statements.

OP-Pohjola Group's financial performance will be presented to the media by Executive Chairman Reijo Karhinen in a press conference on 9 February 2011 at 12 noon at Teollisuuskatu 1 b, Vallila, Helsinki.

Helsinki, 9 February 2011

OP-Pohjola Group Central Cooperative
Executive Board

ADDITIONAL INFORMATION
Executive Chairman Reijo Karhinen, tel. +358 (0)10 252 4500
Harri Luhtala, CFO, tel. +358 (0)10 252 2433
Carina Geber-Teir, Chief Communications Officer, tel. +358 (0)10 252 8394

DISTRIBUTION
NASDAQ OMX Helsinki Ltd
London Stock Exchange
Major media
op.fi and pohjola.fi